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October, 27, 2003

VIA ELECTRONIC FILING

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Room TWB-204
Washington, D.C. 20554

Re: Section 272 (f)(1) Sunset of the BOC Separate Affiliate and Relation Requirements,
WC Docket No. 02-112

Notice of Ex-Parte Communication

Dear Ms. Dortch:

On Friday, October 24, 2003, Jacquelyne Flemming, Gary Phillips, Anu Seam, and Michelle Thomas of SBC Communications Inc. met with William Dever, Michelle Carey, Renee Crittendon, William Kehoe, Michael Carowitz, Brent Olson, Pamela Megna and Jon Minoff of the Wireline Competition Bureau's Competitive Policy Division. The purpose of the meeting was to discuss in the above-referenced proceeding. The information presented to the staff is included in the attached document.

In accordance with section 1.1206 of the Commission's rules, this letter is being filed in the above-referenced proceeding via the Commission's ECFS system. Should you have any questions regarding the attached, please do not hesitate to contact me by whatever means are most convenient for you.

Sincerely,

/s/ Jacquelyne Flemming

Attachment

SBC *Ex Parte* Presentation to the FCC on the Sunset FNPRM

Deregulation of Long Distance Services: A Government Success Story

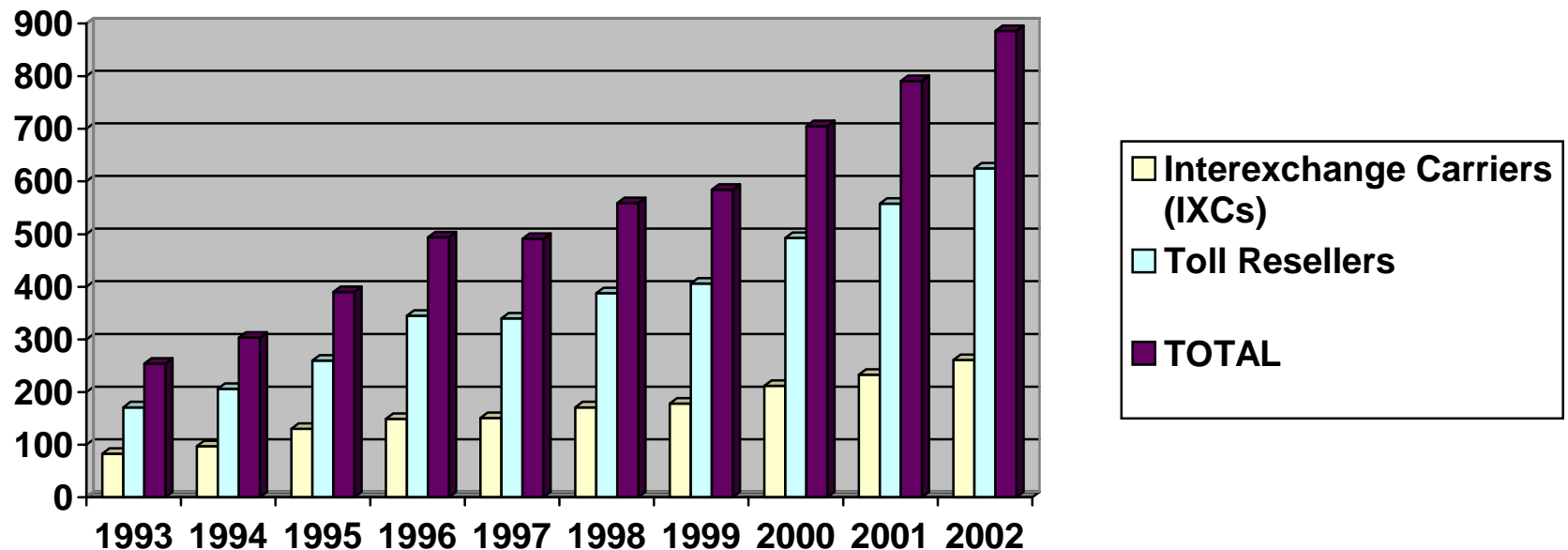
The Success of Long Distance Regulation

- The long distance market has been largely deregulated since 1995
- Wireless, internet, and cable services also have been largely or completely deregulated
- The result has been a boon to customers
 - Prices at all time lows
 - An unprecedented variety of service and carrier options for consumers
 - New and emerging platforms that promise even more competition
- Carriers like AT&T seek FCC intervention to protect themselves from competition, but intervention in this dynamic market is wholly unnecessary and unwise

Wireline Long Distance Is Intensely Competitive

- Large and growing number of providers
- Glut of long haul capacity
- High demand elasticity
- Declining prices
- Innovative discount packages

INTERSTATE TELECOMMUNICATIONS PROVIDERS NUMBER OF CARRIERS



Source: FCC Report – Statistics of the Long Distance Telecommunications Industry, prepared by the Industry Analysis and Technology Division, Wireline Competition Bureau (May 2003) – Table 4 “Number of Carriers.” The FCC uses the following definitions from Form 499.

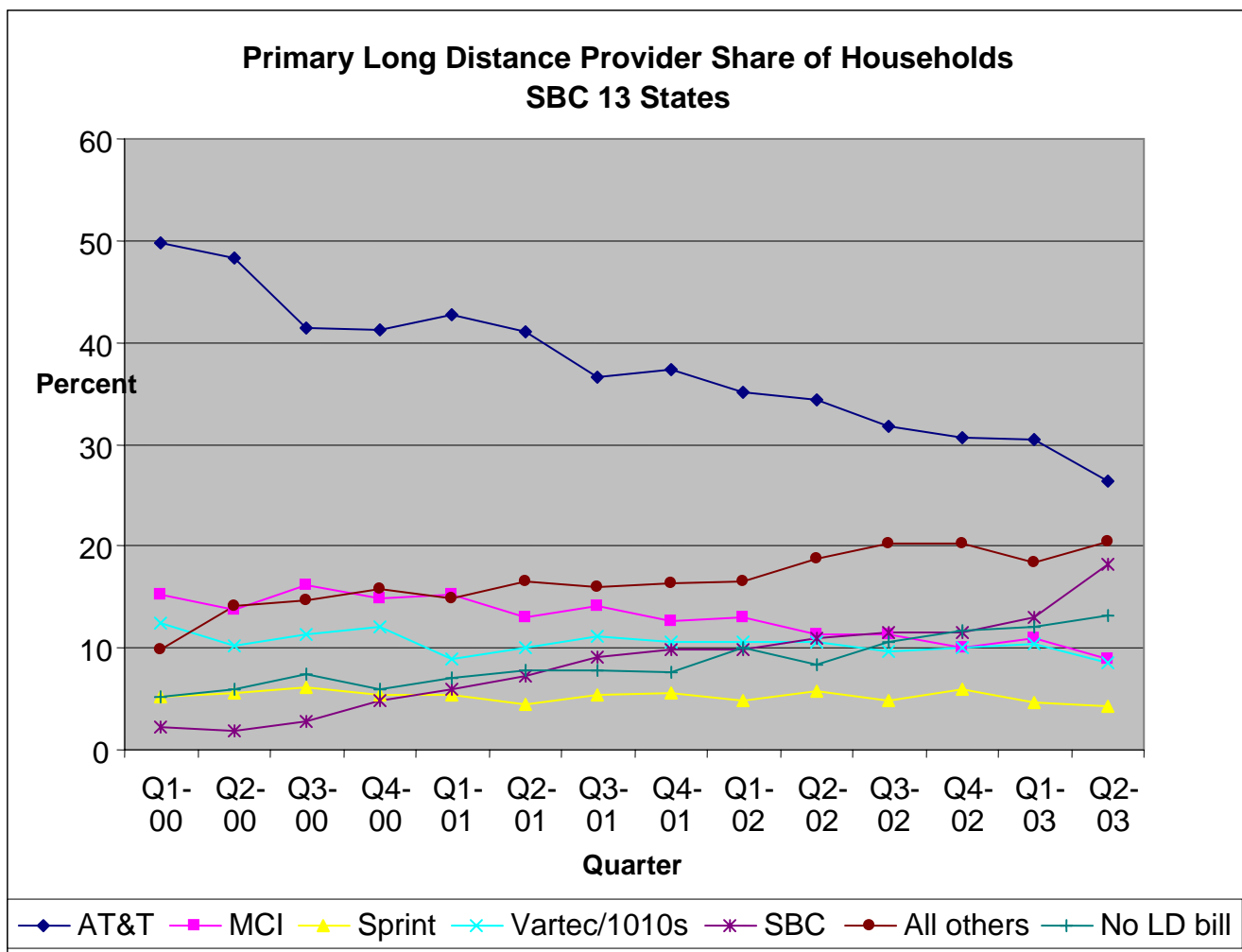
Interexchange Carrier (IXC) – provides long distance telecommunications services substantially through switches or circuits that it owns or leases. (From 83 providers in 1993 to 261 in 2002)

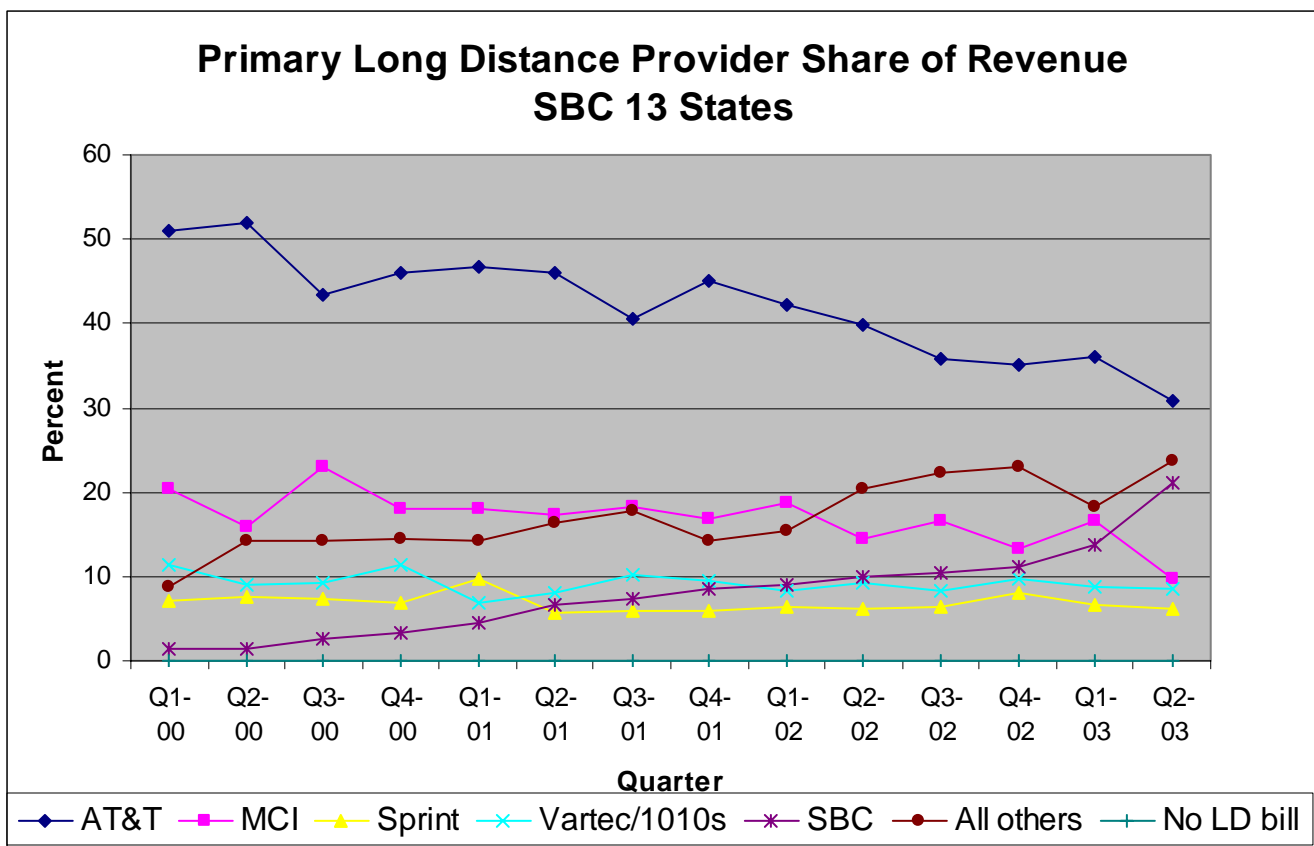
Toll Reseller – provides long distance telecommunications services primarily by reselling the long distance telecommunications services of other carriers. (From 171 in 1993 to 625 in 2002)

Market Share Data

- In 1995, when the Commission declared AT&T non-dominant AT&T had 65 % of long distance lines
- According to the most recent FCC data, the BOCs cumulatively have less than 25% of long distance households¹

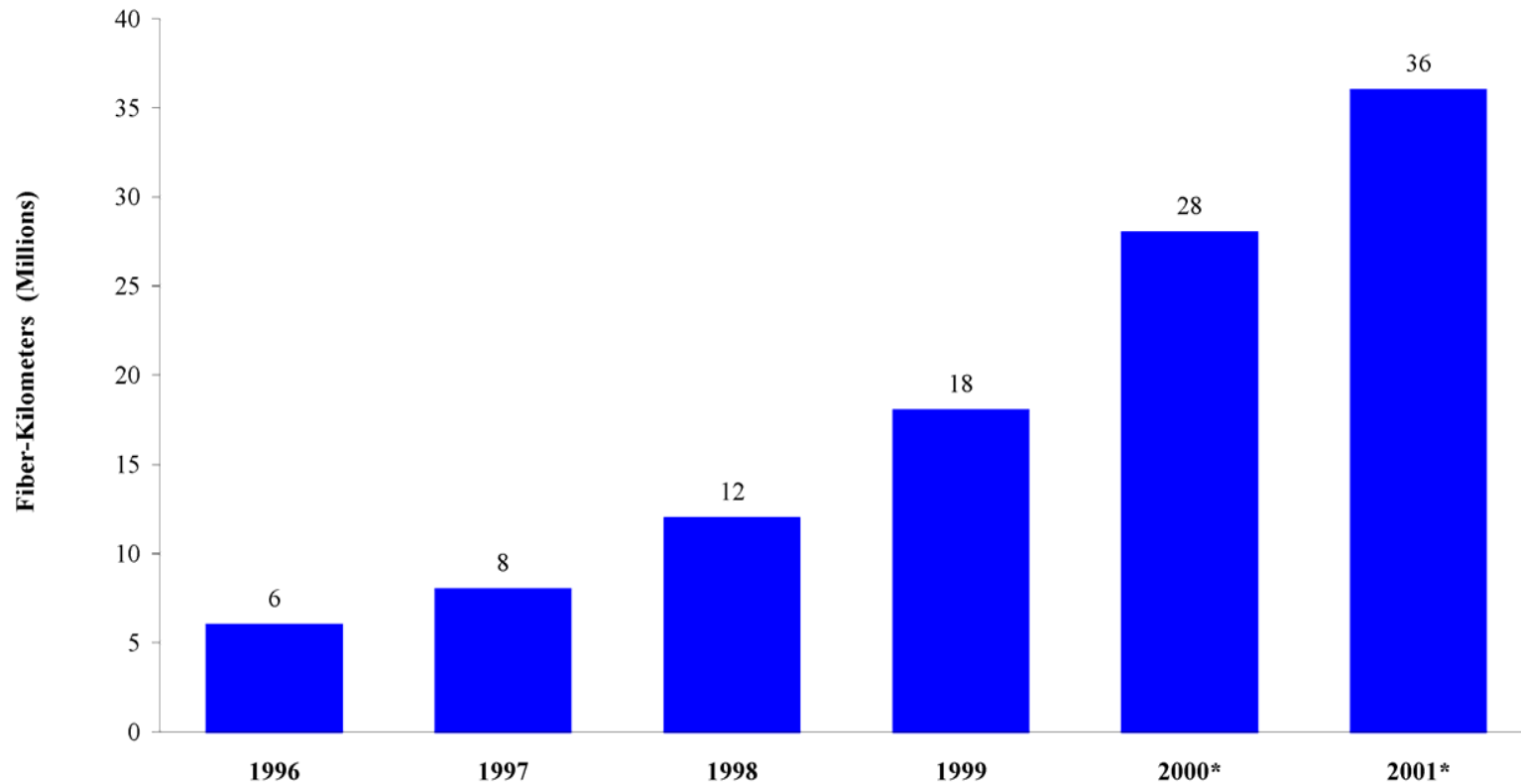
¹ Source: FCC Long Distance Report, May 2003, at Table 15.





A Glut of Long Haul Capacity

Long Haul Fiber Kilometers Deployed in the United States 1996-2001



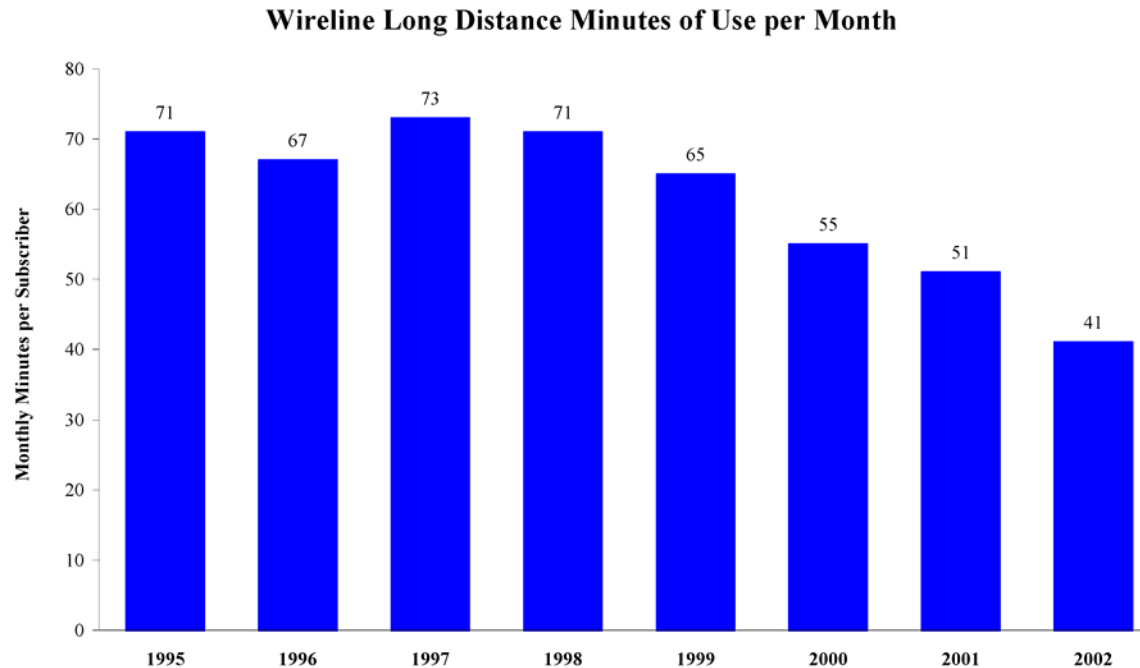
Source: KMI Corp., Fiberoptic Networks of Long Distance Carriers in North America: Market Developments and Forecast, November 1999, p. A-1.

* Estimates

Intermodal Competition is Significant and Growing

- Wireless carriers are already significant players
- Email, instant messaging and web browsing are adding to the competition
- Cable telephony and VOIP are poised to explode

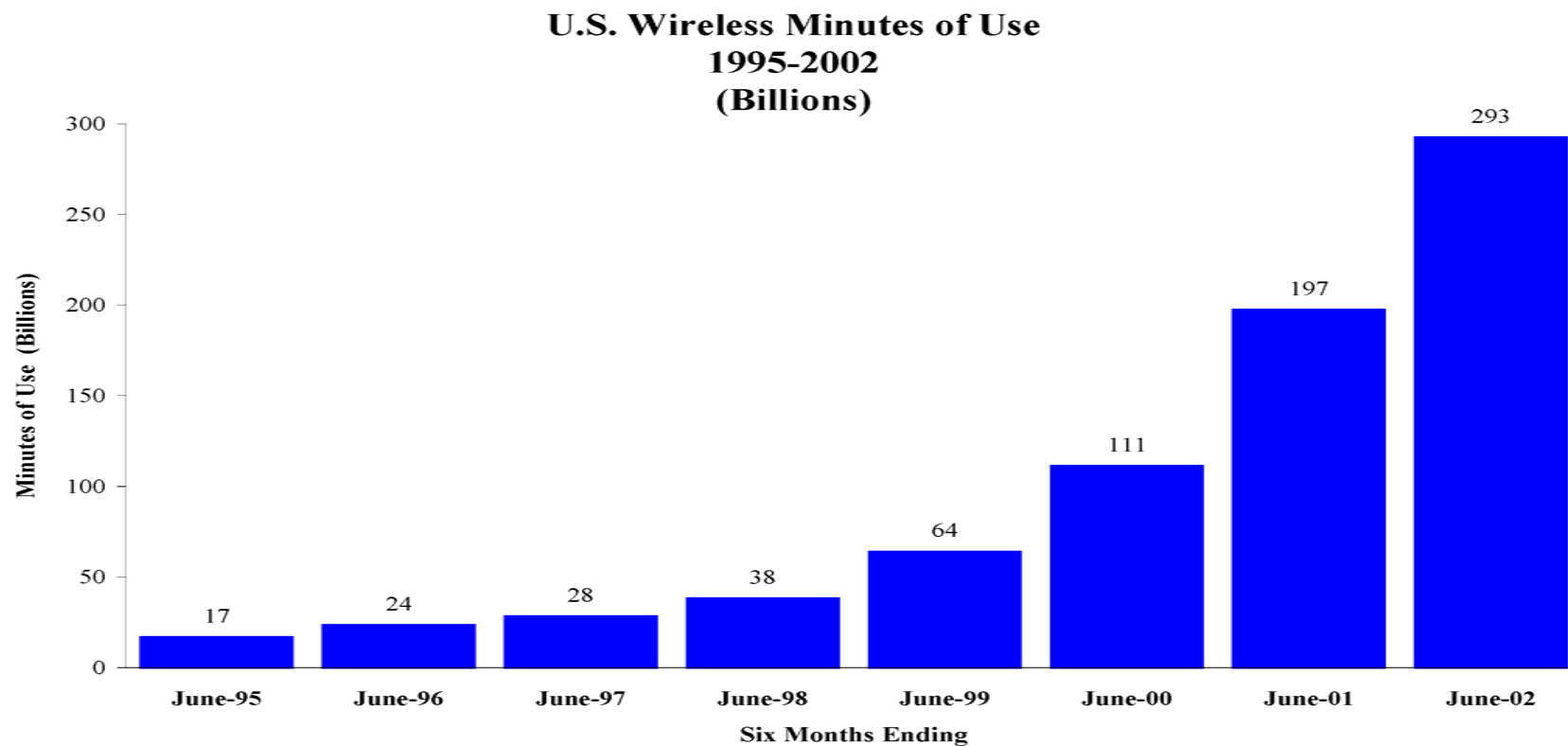
Despite plummeting prices, Wireline LD minutes are declining



Source: FCC's Statistics of the Long Distance Telecommunications Industry, May 2003, p. 37.
Note: Wireline long distance data reflect interLATA interstate calls.

- Sprint reported that its consumer long distance voice volumes were down 10%, attributing the majority of the impact to wireless substitution. (Merrill Lynch, "Bell South Corp." January 27, 2003, pg. 5).
- Merrill Lynch estimated that AT&T's consumer long distance revenues would fall 25% over year end 2002, with more than half the decline attributable to wireless replacement. (Merrill Lynch, "Bell South Corp." January 27, 2003, pg. 5).
- Lehman Brothers estimates that 70% of AT&T's loss is due to wireless and Internet substitution (email etc.) (Lehman Brothers, "AT&T," November 18, 2002, pg. 4).

Wireless Minutes Have Increased Dramatically



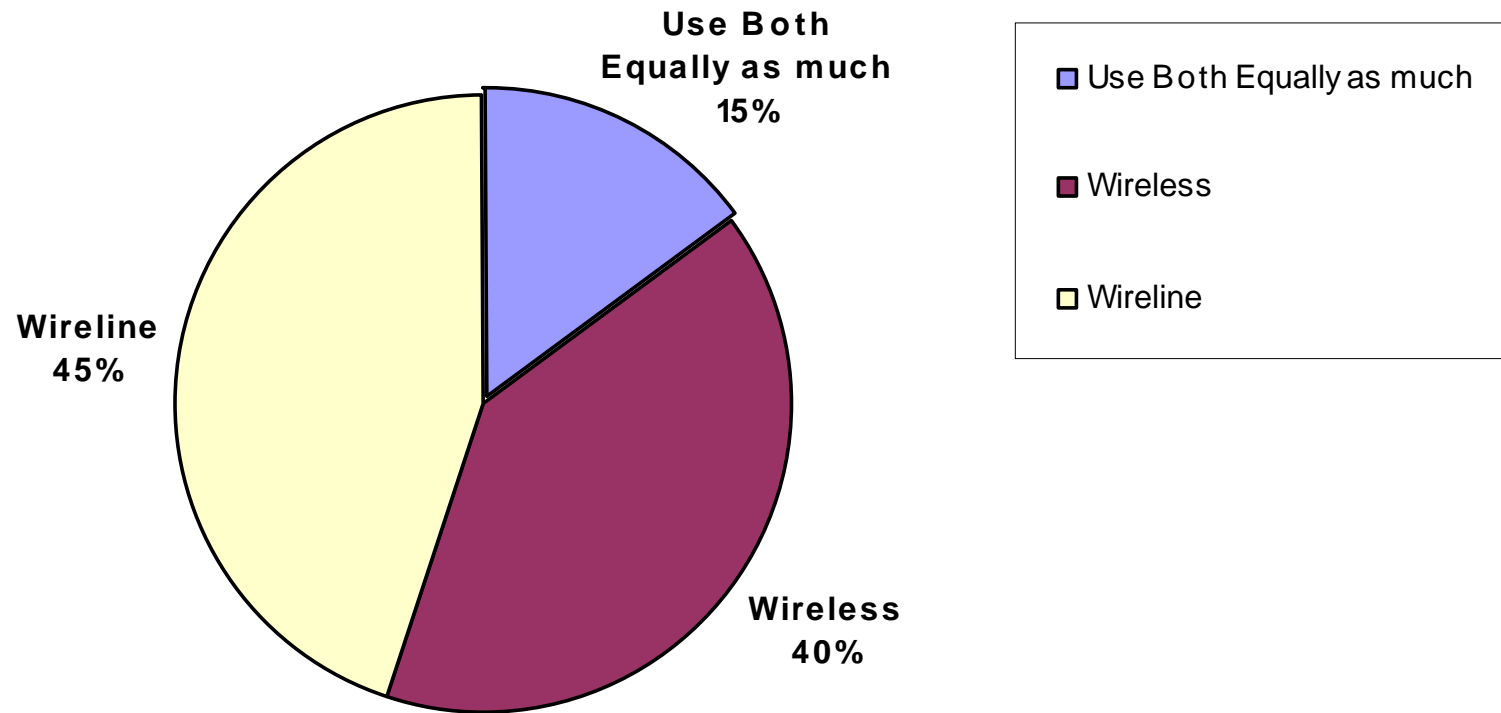
Source: CTIA's Wireless Industry Indices, December 2002, pp. 202-203.

Roughly 29% of all interstate long distance traffic originated or terminated on a wireless network².

² SBC Comments in WC Docket No. 02-112 and CC Docket No. 00-175 (June 30, 2003) Economists Declaration at 18.

Q. If you're at home and you need to place a phone call, do you primarily use your cellular/PCS phone, landline phone, or do you use your landline and cellular/PCS phone about equally as much?

Long Distance Calls



New Competition Platforms Are Ready To Take Off

- Cable Telephony and VOIP are poised to explode
 - At least four incumbent cable operators -- Comcast, Cox, Cablevision and Insight-- have deployed commercial circuit switched cable telephony in 20 states. *UNE-Fact Report 2002, Section II, page 11*
 - Cable telephony is poised to explode with advent of IP cable telephony. All the major cable operators have begun to deploy IP cable telephony commercially or have plans to do so
 - Other players have joined the fray. Vonage has 60,000 subscribers and it doubles its subscriber base every 12 weeks.. It predicts that the current 20 million broadband homes would double to 50 million by 2006, giving the company ample opportunity to convert more voice customers³
 - It has been predicted that by the end of the decade all voice calls will be carried over VOIP⁴

³ Telephony online.com, Oct. 15, 2003.

⁴ *Supercomm is Told VOIP Is Emerging As Dominant Force*, Communications Daily, June 3, 2003.

Long Distance Prices at Historical Lows

- Average interstate and international revenue per minute has declined from \$.32 in 1984 to \$.17 in 1995 to \$.10 in 2001⁵
- “[W]e expect the long distance industry to continue its free-fall as the twin forces of excessive competition and lack of demand continue indefinitely.” (*Morgan Stanley, “Wireline Telecom Services- Trend Tracker: Bottom Line Better, May 23, 2003*)

⁵ FCC Long Distance Report Table 5.

Table 5

Average Rate Per Minute

	Average Revenue per Minute for Interstate & International Calls		International Calls	Domestic Calls
		Restated in 2001 Dollars		
1985	0.31	0.51		
1986	0.28	0.45		
1987	0.25	0.38		
1988	0.23	0.35		
1989	0.22	0.31		
1990	0.20	0.27		
1991	0.20	0.26		
1992	0.19	0.24	\$1.01	\$0.15
1993	0.19	0.24	1.02	0.15
1994	0.18	0.21	0.93	0.14
1995	0.17	0.20	0.91	0.12
1996	0.16	0.18	0.76	0.12
1997	0.15	0.16	0.69	0.11
1998	0.14	0.16	0.58	0.11
1999	0.14	0.15	0.54	0.11
2000	0.12	0.12	0.52	0.09
2001	0.10	0.10	0.35	0.08

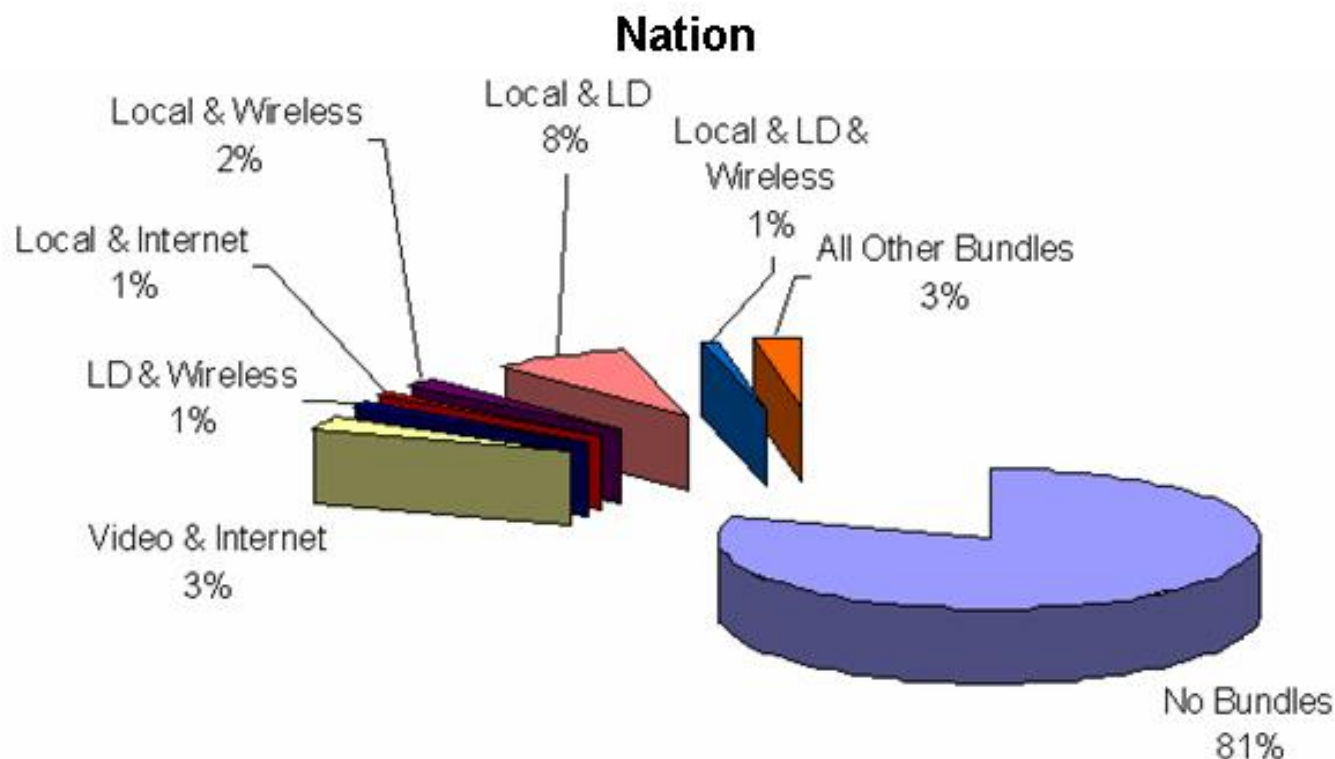
Sources: Data for 1985 through 1991 were supplied by AT&T. Starting with 1992, data are from the Industry Analysis and Technology Division, Wireline Competition Bureau, Telecommunications Industry Revenues (March 2003), available at www.fcc.gov/wcb/stats

BUNDLING

An Array Of Services Offered At Discount Prices

Percent of Bundled Service Relationships 2Q03

("Bundled" means same provider for 1 or more services, not necessarily a discounted package)



October 24, 2003

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A Sampling of the Packages Currently Available in the Marketplace

Local & Long Distance

SBC ALL DISTANCE® Services (available in all SBC states)

- Unlimited nationwide long distance domestic direct-dialed calling from home
- Unlimited local calling plus features and voice mail.
- Available in all SBC states for \$43.95 to \$48.95 per month

AT&T One Rate

- Includes Unlimited local and long distance, 4 telephone features
- \$48.95-\$49.95, dependent on state, other lower priced plans available
- Available in CA, IL, IN, OH, MI, TX, WI

MCI Neighborhood Complete

- Includes unlimited local and long distance, 4-5 telephone features, and web accessible voice mail
- \$39.99 in CA, \$49.99-\$55.99 in all other SBC states, other lower priced plans available
- Available nationwide – 48 states plus DC
- Neighborhood Advantage 200 (same features as above with 200 minutes of Long distance for \$29.99)

Sprint Complete Sense Unlimited

- Includes unlimited local and long distance service, 6 features, voicemail
- \$49.99-\$55.99, other lower priced plans available
- Available in CA, IL, IN, KS, MI, MO, OH, TX, WI

Sage Unlimited Plan

- Unlimited local and long distance, features, and voice mail
- \$44.90. Lower priced packages available.
- Available in AR, CA, IN, KS, MI, MO, OH, OK, TX, WI.

Cox Unlimited Connection

- Unlimited local and long distance, features, voice mail
- \$48.75-\$49.95
- Available in some Cox California locations and Connecticut. Other packages available in Oklahoma

Talk America Unlimited Nationwide

- Unlimited local, long distance, features, voice mail
- \$42.95 -\$56.95, lower priced plans available
- Available in TX, MI, IL, CA. Other plans available in AR, OK, KS

Verizon Freedom

- **Unlimited** local and long distance calling, features, plus voice mail
- \$54.95 in TX and \$59.95 in CA
- Available in TX, CA

Local, Long Distance, & Internet

MCI Neighborhood

- \$35 DSL packaged on top of Neighborhood packages
- Available in all states

Verizon Freedom with DSL

- Unlimited local and long distance calling, features, plus voice mail
- \$84.90 in TX and \$89.90 in CA
- Available in TX, CA

SBC Total Connections

- Local service - plus two or more calling features
- Must have each of the following:
 - Internet Access either DSL or dial-up
 - Cingular Wireless - choose the right plan for your calling needs and get up to a 20% discount on your Cingular monthly recurring charges when you sign up for new Cingular service through SBC.
 - SBC Long Distance – choose the right block of time or per-minute long distance plan. International plans are also available
- Available with DSL for under \$99.99 per month in all states
- Available with Dial Up Internet Access for under \$85.99 per month in all states

Cable Television, Local, Long Distance, Internet

Cox Combo

- Combination cable television, cable modem, local and long distance service
- \$94.89 (San Diego, price varies by city)
- Available in Cox California and Oklahoma City areas

Grande Communications Xtreme Package

- Combination cable television, telephone, and broadband internet
- \$98, other higher and lower priced packages available
- Available in San Antonio, Austin and other areas

Cablevision Optimum Voice (VOIP)

- Telephone service offered in conjunction with cable television and broadband internet
- \$34.95 for unlimited local and long distance. Price for other services varies
- Available in New York and parts of CT

Time Warner Cable Digital Phone (VOIP)

- Telephone service offered in conjunction with cable television and broadband internet
- \$39.95 for unlimited local and long distance. Price for other services varies
- Available in Maine, and fully expected to be available in TX before Q1-04

Cable Television and Broadband Internet

All major cable providers offer broadband internet access and cable television in their areas. The following are examples from each major provider. Pricing varies by city.

Comcast

- Broadband internet access service
- \$42.95 for cable television customers, \$57.95 for non-customers
- Available in TX and many other SBC states

Time Warner Roadrunner

- Broadband internet access \$44.95 a la carte, or less in combination with other digital cable packages
- Available in TX and many other SBC states

Cox Cable

- Broadband internet access service available for \$49.95 by itself, or \$39.95 in combination with other Cox services
- Available in CA and OK

Insight

- \$54.95 for Road Runner Broadband internet access, \$44.95 with cable television
- Available in IL, IN and OH

Other Types of Telecom Bundles

Sprint 7¢ Anytime Plus Internet

- Discounted combination of long distance service and internet service
- \$19.95 monthly fee for both internet and LD

Conclusions

- Long distance services are vigorously competitive
- The marketplace is changing rapidly
- Carriers are offering innovation pricing plans (bundles) to woo customers and reduce churn
- Deregulation of long distance services has been enormously successful
- There is no need for dominant carrier regulation